

RED RIVER WATERWAY COMMISSION**STATE OF LOUISIANA****Financial Statements
Year Ended December 31, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 18 2013

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Financial Statements
Year Ended December 31, 2012

Table of Contents

Page(s)	
	Required Supplemental Information
1-4	Management's Discussion and Analysis (Unaudited)
	Basic Financial Statements
	Government – Wide Financial Statements (GWFS)
5	Statement of Net Position
6	Statement of Activities
	Fund Financial Statements
7	Balance Sheet – Governmental Funds
8	Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
9	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
10	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
11-20	Notes to Financial Statements
	Required Supplemental Information
21	General Fund Budgetary Comparison Schedule
	Supplemental Information
22	Schedule of Per Diem Paid to Commission Members
23	Schedule of Expenditures of Federal Awards
24	Notes to Schedule of Expenditures of Federal Awards
25	Schedule of Deferred Charges – Work-In-Kind
	Independent Auditor's Reports
26-27	Independent Auditor's Report
28-29	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>
30-31	Schedule of Findings and Responses

Required Supplemental Information
Management's Discussion and Analysis (Unaudited)

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Developing the Gift of River Living

Management's Discussion and Analysis (Unaudited)

This section of the Red River Waterway Commission's (Commission) annual financial report offers readers a narrative overview and analysis of the financial performance of the Commission for the year ended December 31, 2012. The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Commission's financial statements, which immediately follow this section.

Financial Highlights

The assets of the Red River Waterway Commission exceeded its liabilities at the close of the most recent fiscal year by \$86,902,719 (net position). This is a decrease of \$9,759,900. Unrestricted net position which may be used to meet the Commission's ongoing obligations to citizens in accordance with the fund designation and fiscal policies represent \$41,646,406. This is a decrease of \$8,715,983 from prior year.

As of the close of the current year, the Red River Waterway Commission's governmental funds reported combined ending fund balances of \$51,393,688. This is a decrease of \$3,875,366 from prior year. Over 81% of this total amount or \$41,755,693 is unassigned and available for use within the Commission's designation and policies. This is a decrease of \$8,768,606 from prior year.

At the end of the current fiscal year, unassigned fund balance for the general fund was \$22,931,931. This is a decrease of \$63,191 from prior year. The total general fund expenditures for the current year are 17% of the unassigned fund balance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future periods (e.g., uncollected taxes and earned, but unused, compensated absences).

The government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Commission include general government, port and economic development, and recreation and culture. The government-wide financial statements can be found on pages 5-6 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are classified as governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains two governmental funds. Information is presented separately in the Balance Sheet- Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds for general and capital projects funds, both of which are considered to be major funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 19.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Red River Waterway Commission, assets exceeded liabilities by \$86,902,719 as of December 31, 2012.

A large portion of the Commission's net position (37%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure). The Commission uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. The remaining balance of the Commission's net position represents resources that are used to maintain the capital assets and administrative expenses.

Red River Waterway Commission's Net Position

	<u>2012</u>	<u>2011</u>
Assets.		
Current and Other Assets	\$57,531,650	\$59,513,948
Capital Assets	<u>32,387,383</u>	<u>37,958,314</u>
Total Assets	<u>\$89,919,033</u>	<u>\$97,472,262</u>
Liabilities		
Long-term Liabilities	\$ 120,012	\$ 117,326
Other Liabilities	<u>2,896,302</u>	<u>692,317</u>
Total Liabilities	<u>\$ 3,016,314</u>	<u>\$ 809,643</u>
Net Position		
Invested in Capital Assets	\$32,387,383	\$37,958,314
Restricted	12,868,930	8,341,916
Unrestricted	<u>41,646,406</u>	<u>50,362,389</u>
Total Net Position	<u>\$86,902,719</u>	<u>\$96,662,619</u>

The following table provides a summary of the Commission's operations for years ended December 31, 2012 and December 31, 2011. For both years, the Commission was able to report positive balances in each category of net position.

Summary of Statement of Activities

	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues		
Leasing and Fees for Services	\$ 527,287	\$ 1,024,807
Capital grants & contributions	53,001	556,319
General Revenues		
Property taxes	9,073,275	8,295,373
State revenue sharing	373,767	374,490
Interest and investment earnings	308,613	465,942
Miscellaneous	<u>28,879</u>	<u>30,290</u>
Total Revenues	<u>\$10,364,822</u>	<u>\$10,747,221</u>
Expenses		
Public works and recreation	<u>\$20,124,722</u>	<u>\$ 5,436,240</u>
Change in Net Position	<u>\$(9,759,900)</u>	<u>\$ 5,310,981</u>

Financial Analysis of the Government's Funds

Governmental Funds – The focus of the Red River Waterway Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Red River Waterway Commission's governmental funds reported combined ending fund balances of \$51,393,688. Approximately 81% of this total amount constitutes unassigned fund balance. The remainder of the fund balance is committed to indicate that it is not available for new spending because it has already been committed to pay for capital assets, port infrastructure, or insurance.

Capital Assets

The Red River Waterway Commission's investment in capital assets (net of accumulated depreciation) for its governmental activities as of December 31, 2012, is \$32,387,383. This investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress

	<u>2012</u>	<u>2011</u>
Land	\$15,403,540	\$15,407,717
Construction in Progress	178,215	153,398
Buildings	4,298,000	4,185,536
Furniture, fixtures & equipment	753,485	764,421
Land Improvements-		
Groundwork	2,274,229	3,936,124
Structure	9,035,070	12,420,127
Boat ramps	8,078,950	8,246,943
Outdoor equipment	714,466	705,432
Infrastructure	<u>7,036,817</u>	<u>8,715,671</u>
Total capital assets	<u>47,772,772</u>	<u>54,535,369</u>
Less Accumulated depreciation	<u>(15,385,389)</u>	<u>(16,577,055)</u>
Net capital assets	<u>\$32,387,383</u>	<u>\$37,958,314</u>

Additional information on the Red River Waterway Commission's capital assets can be found on page 16 of this report

Economic Factors and Next Year's Budgets and Rates

The Commission considered all known and projected costs when preparing the budget for 2013. Revenues and expenditures are expected to remain consistent with 2012.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Commission's finances. If you have questions about this report or need any additional information, contact the Executive Director, at P O Box 776, Natchitoches, Louisiana, 71458, call (318) 352-7446, or e-mail at kguidryrrwc@cp-tel.net.

Government-Wide Financial Statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Net Position
December 31, 2012

Assets	
Cash and cash equivalents	\$ 43,752,036
Receivables	8,837,099
Prepaid expenses	69,227
Restricted assets	4,873,288
Capital assets, net of accumulated depreciation	<u>32,387,383</u>
Total assets	<u>89,919,033</u>
 Liabilities and Net Position	
Liabilities	
Accounts payable	2,543,838
Accrued expenses	293,962
Accrued compensated absences	
Payable within one year	58,502
Payable after one year	<u>120,012</u>
Total liabilities	<u>3,016,314</u>
 Net position	
Invested in capital assets	32,387,383
Restricted	12,868,930
Unrestricted	<u>41,646,406</u>
Total net position	<u>\$ 86,902,719</u>

The accompanying notes are integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Activities
for the Year Ended December 31, 2012

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Leasing and Fees for Services	Capital Grants and Contributions	
Governmental activities				
Public works and recreation	<u>\$ 20,124,722</u>	<u>\$ 527,287</u>	<u>\$ 53,001</u>	<u>\$ (19,544,434)</u>
 Total governmental activities	 <u>\$ 20,124,722</u>	 <u>\$ 527,287</u>	 <u>\$ 53,001</u>	 <u>\$ (19,544,434)</u>
General Revenues				
Taxes -				
Property taxes				9,073,275
State revenue sharing				373,767
Interest and investment earnings				308,613
Miscellaneous				<u>28,879</u>
Total general revenues				<u>9,784,534</u>
 Change in net position				(9,759,900)
 Net position, beginning of year				96,662,619
 Net position, end of year				<u>\$ 86,902,719</u>

The accompanying notes are an integral part of the financial statements

Fund Financial Statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Balance Sheet - Governmental Funds
December 31, 2012

Assets	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Cash	\$ 19,888,548	\$ 23,863,488	\$ 43,752,036
Receivables, net of allowance for uncollectibles			
Taxes	2,978,909	5,532,260	8,511,169
State revenue sharing	93,524	173,688	267,212
Other	45,667	13,051	58,718
Prepaid expenses	69,227	-	69,227
Restricted assets			
Cash	1,573,126	-	1,573,126
Due from capital projects fund	74,999	-	74,999
Total assets	<u>\$ 24,724,000</u>	<u>\$ 29,582,487</u>	<u>\$ 54,306,487</u>
Liabilities and Fund Balances			
Accounts payable	\$ 41,785	\$ 2,502,054	\$ 2,543,839
Accrued expenses	107,931	186,030	293,961
Due to general fund	-	74,999	74,999
Total liabilities	<u>149,716</u>	<u>2,763,083</u>	<u>2,912,799</u>
Fund balances			
Nonspendable	69,227	-	69,227
Committed	1,573,126	11,295,804	12,868,930
Assigned	-	15,523,600	15,523,600
Unassigned	22,931,931	-	22,931,931
Total fund balances	<u>24,574,284</u>	<u>26,819,404</u>	<u>51,393,688</u>
Total liabilities and fund balances	<u>\$ 24,724,000</u>	<u>\$ 29,582,487</u>	<u>\$ 54,306,487</u>

The accompanying notes are an integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2012

Total fund balances of governmental funds		\$ 51,393,688
Amounts reported for governmental activities in the statement of net assets are different because		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds Those assets consist of		
Cost of capital assets at December 31, 2012	\$ 47,772,772	
Less accumulated depreciation	<u>(15,385,389)</u>	32,387,383
Long-term assets at December 31, 2012		
Accounts receivable	\$ 96,720	
Deferred charges-work in kind	<u>3,203,442</u>	3,300,162
Long-term liabilities at December 31, 2012		
Compensated absences payable		<u>(178,514)</u>
Total net position of governmental activities		<u>\$ 86,902,719</u>

The accompanying notes are an integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the Year Ended December 31, 2012

	General Fund	Capital Projects Fund	Totals
Revenues			
Ad valorem taxes, including penalties and interest	\$ 3,175,646	\$ 5,897,629	\$ 9,073,275
Intergovernmental revenues			
Work-in-kind contribution	-	350,000	350,000
Capital grants	-	-	-
State revenue sharing	130,818	242,948	373,766
Leasing and fees for services			
Leasing	128,011	-	128,011
Oil and gas royalties	338,761	-	338,761
Park fees	49,992	-	49,992
Service income	10,523	-	10,523
Interest revenues	133,938	174,675	308,613
Total revenues	<u>3,967,689</u>	<u>6,665,252</u>	<u>10,632,941</u>
Expenditures			
Current			
Public works	3,070,137	211,882	3,282,018
Recreation and parks	517,508	878	518,387
Port development, operations and maintenance	253,517	9,982,785	10,236,302
Capital outlay	43,200	175,251	218,451
Statutory charges			
Retirement system	100,170	186,030	286,200
Total expenditures	<u>3,984,532</u>	<u>10,556,826</u>	<u>14,541,358</u>
Excess of revenues over (under) expenditures	(16,843)	(3,891,574)	(3,908,417)
Other financing resources			
Proceeds of general fixed asset dispositions	33,051	-	33,051
Net change in fund balances	16,208	(3,891,574)	(3,875,366)
Fund balance, beginning of year	24,558,076	30,710,978	55,269,054
Fund balance, end of year	<u>\$ 24,574,284</u>	<u>\$ 26,819,404</u>	<u>\$ 51,393,688</u>

The accompanying notes are an integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
for the Year Ended December 31, 2012**

Net change in fund balances - total governmental funds \$ (3,875,366)

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their useful lives
and reported as depreciation expense:

Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 218,451	
Impairment of capital assets	(379)	
Grants to other governments	(4,608,055)	
Cost of land sales	(4,177)	
Less depreciation expense recorded for the year ended December 31, 2012	<u>(1,176,771)</u>	(5,570,931)

Long-term assets not representing current resources

Accounts receivable increase in current year	53,001
Account receivable-Work-in-kind decrease in current year	(350,000)
Short-term compensation absences decrease in current year	-
Long-term compensated absences increase in current year	<u>(16,604)</u>

Change in net position of governmental activities \$ (9,759,900)

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Notes to Financial Statements
December 31, 2012

Introduction

The Red River Waterway Commission (the Commission) was created by Act No 17 of the Louisiana Legislature for the year 1965 as a body politic and corporate of the State of Louisiana and the powers of the Commission are enumerated in La R S 34.2301-2317. The Commission is not subject in any respect to the authority, control or supervision of any regulatory body of the state or any political subdivision thereof. The Commission is composed of all territories located within the parishes of Avoyelles, Rapides, Natchitoches, Red River, Grant, Bossier and Caddo. The Commission was created to establish, operate, and maintain a navigable waterway system extending from the vicinity of the confluence of the Red River with Old River and the Atchafalaya River northwestward in the Red River Valley to the state boundary. The commissioners administer the operations and responsibilities of the Commission in accordance with Louisiana statutes. Members of the commission are appointed by the governor with one member from each parish being selected from the recommendations of the respective Police Juries. The Secretary of the Louisiana Department of Transportation and Development (DOTD) serves as ex-officio chairman of the Red River Waterway Commission.

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity - The Red River Waterway Commission, for financial purposes, includes all of the governmental funds relevant to the operations of the Red River Waterway Commission. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Red River Waterway Commission.

The Division of Administration of the State of Louisiana has determined that the Red River Waterway Commission is a primary government and not a component unit or agency of the state government for financial reporting purposes.

Basis of Presentation - The accompanying basic financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments, issued in June 1999 as amended by GASB Statement 61, "The Financial Reporting Entity Omnibus" an amendment of GASB Statements No. 14 and No. 34.

The content and certain titles of the GWFS were changed upon adoption by the Commission in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in the statement of financial position, GASB No. 63 renames that measure as net position rather than net assets. The Commission had no deferred outflows or inflows of resources at December 31, 2012, and no reclassifications affecting the statement of net assets from the prior period are required.

The Statement of Activities presents a comparison between direct expenses and program revenues for the functions of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) leasing, royalties and charges paid by the

recipients of services offered by the Commission and (b) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program services, including property taxes, are presented as general revenues.

Fund Financial Statements - The accounts of the Red River Waterway Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two governmental funds as follows:

General Fund - The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

Measurement Focus Basis of Accounting

The governmental financial statements were prepared using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Commission's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Commission considers revenues available if they are collected within sixty (60) days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset used.

The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and state revenue sharing are recorded in the year they become due and payable. Ad valorem taxes are assessed for the calendar year, become due on December 30 of each year, and become delinquent on December 31. The taxes are generally collected in December, January or February. The lien date is January 1, when interest begins accumulating at one-percent monthly. Revenue sharing is generally collected in three (3) equal installments in December, March and May.

Intergovernmental revenues, leasing, royalties and charges for services are recorded when the Commission is entitled to the funds.

Interest income on time deposits is recorded as earned.

Substantially all other revenues are recorded when received

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred

Other Financing Sources (Uses)

Proceeds from the sale of land and surplus capital assets are accounted for as other financing sources (uses)

Deferred Revenues

Federal financial assistance funds are considered to be earned to the extent of expenditure made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned

Budgetary Accounting - The Commission follows these procedures in establishing the budgetary data reflected in the financial statements

The Commission is excluded from the provisions of Act 504 of 1980 (Budget Act) by Attorney General Opinion 80-1561. The Commission has developed an expenditure budget for the operating and maintenance (general fund) and the construction (capital projects fund) in order to maintain improved control over expenditures. Revenues were not budgeted in detail, but were assumed sufficient to cover the expenditures.

- a. Based on improved data, the budget is periodically amended and approved by the Board of Commissioners
- b. The budgetary comparison schedule, a required supplemental schedule, for the General Fund and Capital Projects Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis is in conformity with accounting principles generally accepted in the United States of America
- d. Unused appropriations for annually budgeted funds lapse at the end of year.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year

Recent Accounting Pronouncements - Beginning with fiscal year 2011, the Commission implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending restraints.

Nonspendable This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Commission had nonspendable resources of \$69,227 for prepaid expenses as of December 31, 2012.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Commission did not have any restricted resources as of December 31, 2012.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commission. These amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (board action) that was employed when the funds were

initially committed This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Commission had committed resources as of December 31, 2012, as set forth in Note 9

Assigned: This classification includes amounts that are constrained by the Commission's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority The Commission had \$15,523,600 in assigned resources as of December 31, 2012

Unassigned: This classification includes the residual fund balance for the General Fund. The General Fund had \$22,931,931 at December 31, 2012, classified as unassigned

Cash and interest-bearing deposits – Cash and interest bearing deposits include amounts in demand deposits, interest-bearing demand deposits and time deposits

Capital Assets – Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation Capital assets are recorded in the Statement of Net Position Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes All capital assets, other than land, are depreciated using the straight-line method over the useful lives as follows

Asset Group	Years
Furniture, fixtures and equipment	5 to 10
Vehicles	5
Buildings	40
Land improvements and infrastructure	20 to 30
Boat ramps	50
Outdoor equipment	20

Compensated Absences – Employees earn and accumulate vacation and sick leave at various rates, depending on their years of service The amount of vacation and sick leave that may be accumulated by each employee is unlimited Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits In addition, employees are due unused comp time in accordance with Commission policy The liability for unused vacation and comp time payable at December 31, 2012, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60 105, is estimated to be \$178,514 of which \$58,502 is considered short-term

Investments - The Red River Waterway Commission is a political subdivision of the State of Louisiana and has the authority to invest in direct U.S. Treasury obligations and U S Government Agency obligations under R S 33 2955

At December 31, 2012, the Commission did not have any investments

Inventory - Purchase of operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year

Claims and Judgments – Claims and judgments are recorded in governmental funds for the amount that will be liquidated with current available financial resources The remainder of any liability is recorded in the government-wide financial statements

Allowance for Uncollectible Accounts - Ad valorem taxes are not considered fully collectible. An allowance for uncollectible accounts was established to satisfy the measurability criterion. Allowance for uncollectible accounts at December 31, 2012, is as follows

General Fund	\$ 22,853
Capital Projects Fund	<u>68,558</u>
	\$ <u>91,411</u>

Net Position Classifications – In the government-wide financial statements, net position are classified and displayed in three components

Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

Nonspendable net position – Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact

Committed net position – Consists of net position with constraints placed on the use either by (1) the Board of Commissioners or (2) law through constitutional provisions or enabling legislation

Unrestricted net position – All other components of net position that do not meet the definition of "restricted" or "invested in capital assets"

In the fund financial statements, governmental fund net position is classified as fund balance. Fund balance is further classified as nonspendable, committed and unassigned

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, expenses, and other financing sources and uses during the reporting period. Actual results could differ from those estimates

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and time certificates of deposit which approximate fair value. Under state law, the Red River Waterway Commission may deposit funds only within a fiscal agent bank organized under the laws of the State of Louisiana. Furthermore, the Commission may invest in time deposits or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana. The Commission has cash and restricted cash (book balance) totaling \$43,752,036 and \$1,573,126 respectively at December 31, 2012. Cash and restricted cash are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank or in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer or a custodial bank that is mutually acceptable to the parties involved.

The following is a summary of deposit balances (bank balances) at December 31, 2012, with the related federal deposit insurance and pledged securities

	Deposits	Value of Securities	Federal Insurance	Over Secured	Under Secured
Cash	\$ 43,830,417	\$ 31,237,740	\$ 20,045,000	\$ 7,189,135	\$ 504,776
Restricted cash	1,573,126	1,764,930	-	191,804	-
	<u>\$ 45,403,543</u>	<u>\$ 33,002,670</u>	<u>\$ 20,045,000</u>	<u>\$ 7,380,939</u>	<u>\$ 507,776</u>

All of the Commission's deposits were not properly secured at December 31, 2012 See finding 2012-1 on page 29.

The cash deposits held at financial institutions can be categorized according to three levels of risk These three levels of risk are as follows

- Category 1 - Deposits which are insured or collateralized with securities held by the Commission or by its agent in the Commission's name
- Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or by its agent in the Commission's name
- Category 3 - Deposits which are not collateralized or insured

Based on these three levels of risk, all of the Commission's cash deposits are classified as Category 1

Note 3 - Receivables

Receivables at December 31, 2012, are as follows

	General Fund	Capital Projects Fund	Total
Ad valorem taxes – net	\$ 2,978,909	\$ 5,532,260	\$ 8,511,169
Intergovernmental revenue	93,524	173,688	267,212
State revenue sharing	45,667	13,051	58,718
Other	<u>\$ 3,118,100</u>	<u>\$ 5,718,999</u>	<u>\$ 8,837,099</u>

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows

	Beginning Balance	Additions	Deductions	Ending Balance
General Fund				
Buildings	\$ 855,893	\$ -	\$ -	\$ 855,893
Furniture and equipment	764,421	43,200	54,136	753,485
	1,620,314	43,200	54,136	1,609,378
Less Accumulated depreciation	841,658	72,663	53,757	860,564
Total	<u>778,656</u>	<u>(29,463)</u>	<u>379</u>	<u>748,814</u>
Capital Projects Fund				
Land	15,407,717	-	4,177	15,403,540
Work in progress	153,398	24,817	-	178,215
Buildings	3,329,643	112,464	-	3,442,107
Land improvements-groundwork	3,936,124	-	1,661,895	2,274,229
Land improvements-structure	12,420,127	28,936	3,413,993	9,035,070
Boat ramps	8,246,943	-	167,993	8,078,950
Outdoor equipment	705,432	9,034	-	714,466
Infrastructure	8,715,671	-	1,678,854	7,036,817
	52,915,055	175,251	6,926,912	46,163,394
Less Accumulated depreciation	15,735,397	1,104,108	2,314,680	14,524,825
Total	<u>37,179,658</u>	<u>(928,857)</u>	<u>4,612,232</u>	<u>31,638,569</u>
Net capital assets	<u>\$ 37,958,314</u>	<u>\$ (958,320)</u>	<u>\$ 4,612,611</u>	<u>\$ 32,387,383</u>

Capital assets, when declared as surplus by the Commission, no longer have any service utility and are reported as an impairment loss in the Statement of Activity. During 2012, impaired capital assets with a carrying amount of \$54,136 were declared as surplus with a net carrying amount of \$379 being reported as an impairment loss. At December 31, 2012, the carrying amount of idle impaired capital assets amounted to \$102,313.

Note 5 - Pension Plan

Substantially all employees of the Red River Waterway Commission are members of the Parochial Employees Retirement System of Louisiana (System), a multiple-employer (cost sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Red River Waterway Commission are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from Commission funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited service, at or after age 55 with 25 years of credited service, or at any age with at least 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary for each year of credited service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of the final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of credited service stated previously and do not withdraw their employee contributions may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, P O Box 14619, Baton Rouge, LA 70898-4619, or by calling (504) 928-1361.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.50 percent of their annual covered salary and the Red River Waterway Commission is required to contribute at an actuarially determined rate. The current rate is 15.75 percent of annual covered payroll and 15.75 percent of the deferred annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each Parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Red River Waterway Commission are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Red River Waterway Commission's contributions to the System under Plan A for the years ending December 31, 2012, 2011 and 2010, were \$199,619, \$190,932, and \$189,093, respectively, equal to the required contributions for each year.

Note 6 - Long-Term Assets

The long-term assets of the Commission, which are due from governmental activities, consist of receivable amounts due from the U S Army Corps of Engineers (Corps of Engineers or COE) relative to cost share agreements for Pools 1 and 2 and Pools 3, 4 and 5 as follows:

Accrued charges - 50% cost share in Pools 1 and 2	\$ 96,720
Deferred charges - 50% work-in-kind credit in Pools 3, 4, and 5	3,203,442
	<u>\$ 3,300,162</u>

Note 7 - Compensated Absences

The liabilities for accrued compensated absences consist of unused vacation time, not to exceed 300 hours, and unused comp time

The annual changes to compensated absences as of December 31, 2012, are as follows:

January 1, 2012	Net Increase (Decrease)	December 31, 2012
\$ <u>161,910</u>	\$ <u>16,604</u>	\$ <u>178,514</u>

Note 8 - Levied Taxes

The River Waterway Commission's, (a multi-parish Commission) authorized and levied ad valorem tax millage of 2.34 for the year ended December 31, 2012, is allocated 65% to capital outlay and 35% to maintenance as follows:

Red River Waterway Commission Taxes	Authorized Millage	Levied Millage
Capital outlay (Capital Projects Fund)	1.52	1.52
Maintenance (General Fund)	.82	.82

Note 9 - Committed Fund Balances/Restricted Net Positions

The Commission has the following committed fund balance/restricted net positions at December 31, 2012

	General Fund	Capital Projects Fund	Total
Committed/Restricted for			
Capital outlays	\$ -	\$ 4,357,992	\$ 4,357,992
Port commitments	-	3,637,650	3,637,650
Supplemental insurance	1,573,126	-	1,573,126
Escrow deposits	-	-	-
Long-term receivables	-	96,720	96,720
Deferred charges	-	3,203,442	3,203,442
Total committed/restricted	\$ <u>1,573,126</u>	\$ <u>11,295,804</u>	\$ <u>12,868,930</u>

Note 10 - Grants to Other Governments

During 2012, the Commission made grants of a recreation area facility (Quit Claim Deed) and fee land (Act of Transfer) to other Governments as follows.

	Shreveport Riverview	.06 Acres Land Bossier Ph , LA	Total
City of Shreveport, LA	\$ <u>4,608,052</u>	\$ -	\$ <u>4,608,052</u>
City of Bossier City, LA	-	5	5
	\$ <u>4,608,052</u>	\$ <u>5</u>	\$ <u>4,608,057</u>

Note 11 - Restricted Assets

The Commission has the following restricted assets used in governmental activities at December 31, 2012

General Fund	
Supplemental insurance	\$ 1,573,126
Capital Project Funds	
Escrow deposits	-
Long-term receivables	96,720
Deferred charges	3,203,442
	<u>3,300,162</u>
Total restricted assets	\$ <u>4,873,288</u>

The Commission committed \$750,000 of its fund balance to supplement the high cost of liability insurance and be primarily used to offset the higher deductible used to obtain lower premiums on its primary liability coverage. The interest earned is to be considered additional committed funds.

The escrow deposits are in accordance with the Water Resources Development Act of 1976 (Public Law 94-587), whereby the Commission is required to contribute 25 percent of the construction costs of each construction contract containing dike, bulkhead, and embankment items within 10 days after receiving notification as to which bid is to be accepted for each contract. This contribution is held in an escrow account and is used by the respective construction contractor for that contract. Interest earned on the escrow account is credited to the commission, however, disbursement of funds from this account is made solely by the Corps of Engineers and is recognized as Commission expenditure upon such disbursement. The balance of cash in escrow on deposit at December 31, 2012, is reported as a reserve of fund balance to indicate that this account does not represent current available resources. At December 31, 2012, \$-0- was on deposit.

The long-term receivables consist of amount due from the Corp of Engineers for their 50% cost share expenditures incurred under the Pools 1 and 2 cost share agreement

On April 19, 2000, the Red River Waterway Commission and the Corps of Engineers entered into a Project Cooperation Agreement (PCA). The agreement provides for an equal cost share in the project costs on 22 recreational sites in Pools 3, 4, and 5 and 3 sites in Pool 1 and 2. The COE is responsible for the overall project. The Commission is required under the agreement to make payment to the COE for its 50% cost share. Payments to COE by the Commission for its 50% share are being accomplished by cash contributions and work-in-kind expenditures. The excess of the work-in-kind expenditures over the Commission's 50% share is being deferred and will be absorbed against 50% of future COE expenditures or cash contributions. At December 31, 2012, the balance of deferred work-in-kind expenditures was \$3,203,442. This amount will be deferred until utilized or paid down by the COE. This deferred charge is also being reflected as a commitment of fund balance to indicate that this amount does not represent current available resources

Note 12 - Litigation and Claims

The Red River Waterway Commission is continually faced with lawsuits and claims as a result of expropriation of property for right-of-ways and damages resulting from the normal operation of the waterway. Any known cost that would be incurred by the Red River Waterway Commission relative to these litigations and claims has been anticipated in developing the annual budget and would not be considered a contingency. At December 31, 2012, claims have been estimated in the aggregate amount of approximately \$250,000.

Note 13 - Commitments

The Red River Waterway Commission has agreed to match funds with any port in the Commission's jurisdiction, which meets the guidelines set forth by the Commission for obtaining matching funds up to \$40,000 per year. A set period of an additional three years was approved in 1999 by the Commission in

accordance with the guidelines In 2002, an extension of two years was extended to two of the ports In 2010, additional funds were approved on a yearly basis within the annual budget

For the year ended December 31, 2012, commitments and the amounts expended are as follows

Port	Commitments	Expended	Remaining Balance
Caddo-Bossier	\$ -	\$ -	\$ -
Alexandria	-	-	-
Natchitoches	-	-	-
Avoyelles	40,000	40,000	-
Red River	40,000	40,000	-
	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>

The Red River Waterway Commission has entered into or agreed to enter into certain intergovernmental cooperative agreements for the development of ports. At December 31, 2012, the total commitments and the amounts expended to date are as follows.

Port	Commitments	Expended	Remaining Balance
Caddo-Bossier	\$ 27,166,235	\$ 25,259,502	\$ 1,906,733
Natchitoches	4,077,891	3,918,366	159,525
Alexandria	1,066,798	1,066,798	-
Avoyelles	550,000	50,000	500,000
Red River	5,134,943	4,063,551	1,071,392
	<u>\$ 37,995,867</u>	<u>\$ 34,358,217</u>	<u>\$ 3,637,650</u>

Pursuant to design and construction contracts awarded in the development of recreation areas, levee structures, access roads and relocation projects, the Red River Waterway Commission has commitments at December 31, 2012, for the unexpended portion of these contracts in the amount of \$4,357,992 This amount is included in the commitment amount as shown in Note 9

Note 14 - Subsequent Events

The Company has evaluated all subsequent events through May 1, 2013, the date which these financial statements were available for release

Note 15 - Federal Financial Assistance and Accrued or Deferred Revenue

Grant revenues from Federal financial assistance programs are considered measurable and are recorded simultaneously with grant expenditures unless such recognition is prohibited by the grant requirement Grant revenues received in excess of grant expenditures are recorded as deferred revenues until expended Grant expenditures in excess of grant revenues are recorded as accounts receivable The Red River Waterway Commission has one program that receives Federal Financial Assistance This program is directly associated with the development of recreation areas on the Red River and provides for 50% matching funds in Pools 1 and 2 At December 31, 2012, there were \$96,720 expenditures accrued under the 50% cost share agreement as detailed in the Schedule of Expenditures of Federal Awards

Required Supplemental Information

RED RIVER WATERWAY COMMISSION
State of Louisiana

General Fund Budgetary Comparison Schedule
Year Ended December 31, 2012

	General Fund (GAAP)				Capital Projects Fund (GAAP)			
	Budget		Actual	Variance- Favorable (Unfavorable)	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues.								
Ad valorem taxes including penalties and interest	\$ -	\$ -	\$ 3,175,646	\$ -	\$ -	\$ -	\$ 5,897,629	\$ -
Intergovernmental	-	-	130,818	-	-	-	592,948	-
Interest revenues	-	-	133,938	-	-	-	174,675	-
Other	-	-	527,287	-	-	-	-	-
Total revenues	3,772,728	4,028,519	3,967,689	(60,830)	8,823,049	10,971,955	6,665,252	(4,306,703)
Expenditures.								
Current								
Public works	2,772,279	3,014,212	3,070,137	(55,925)	189,000	217,256	211,882	5,374
Recreation and parks	725,449	683,107	517,508	165,599	961,667	190,500	878	189,622
Port development, operations and maintenance	130,000	205,330	253,517	(48,187)	7,497,382	10,389,199	9,982,785	406,414
Capital outlay	70,000	54,317	43,200	11,117	-	-	175,251	(175,251)
Statutory charges.	-	-	-	-	-	-	-	-
Assessors' compensation	-	-	-	-	-	-	-	-
Retirement system	75,000	71,553	100,170	(28,617)	175,000	175,000	186,030	(11,030)
Total expenditures	3,772,728	4,028,519	3,984,532	43,987	8,823,049	10,971,955	10,556,826	415,129
Excess of revenues over (under) expenditures	-	-	(16,843)	(16,843)	-	-	(3,891,574)	(3,891,574)
Other financing resources								
Proceeds of general fixed asset dispositions	-	-	33,051	33,051	-	-	-	-
Excess of revenues and other sources over (under) expenditures	\$ -	\$ -	\$ 16,208	\$ 16,208	\$ -	\$ -	\$ (3,891,574)	\$ (3,891,574)
Fund balance, beginning of year			24,558,076				30,710,978	
Fund balance, end of year			\$ 24,574,284				\$ 26,819,404	

See accompanying Independent Auditor's Report.

Supplemental Information

RED RIVER WATERWAY COMMISSION
State of Louisiana

Schedule of Per Diem Paid to Commission Members
Year Ended December 31, 2012

<u>Name</u>	<u>Number of Meetings</u>	<u>Per Diem Paid</u>
Wayne T Davis	23	\$ 1,725
Marc Dupuy, Jr	22	1,650
Andrew J. Hodges, III	21	1,575
A Paul Fleming	33	2,475
Randell A Fletcher	26	1,950
James F. Maxey	36	2,700
W Alvin Owens	29	2,175
Rogers M Prestridge	34	2,550
James D Brown	17	1,275
David L Crutchfield, II	16	1,200
		<u>\$ 19,275</u>

RED RIVER WATERWAY COMMISSION
State of Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Matching Contribution	Accrued Revenue January 1, 2012	Receipts or Revenue Recognized	Federal Expenditures and Adjustments	Accrued Revenue December 31 2012
U.S DEPARTMENT OF DEFENSE							
Department of the Army-Corps of Engineers							
Direct Programs.							
Navigation Projects-Recreational Area Projects							
Red River Waterway Pools 1 & 2	12 107	N/A	50%				
Coushatta				\$ -	\$ -	\$ -	\$ -
Stoner				-	-	-	-
Lock & Dam #2				-	-	-	-
Stoner Handicapped Boat Ramp				-	-	-	-
Teague Handicapped Boat Ramp				-	-	-	-
Alexandria Levee Park Boat Dock				-	-	-	-
Poland Recreation Area				-	-	-	-
Boyce Recreation Area-Additional Amenities Central Project				50,160	-	46,560	96,720
Total Pools 1 & 2				<u>\$ 50,160</u>	<u>\$ -</u>	<u>\$ 46,560</u>	<u>\$ 96,720</u>

RED RIVER WATERWAY COMMISSION
State of Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Red River Waterway Commission, State of Louisiana, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basis financial statements.

RED RIVER WATERWAY COMMISSION
State of Louisiana

Schedule of Deferred Charges - Work-In-Kind
Year Ended December 31, 2012

PROJECTS	Deferred Charges January 1, 2012	Contribution by Corps of Engineers	50% Work-In-Kind	Deferred Charges December 31, 2012
U.S.DEPARTMENT OF DEFENSE				
Department of the Army-Corps of Engineers.				
Recreational Area Projects				
Red River Waterway Pools 3, 4, & 5				
Teague Parkway	\$ 527,009	\$ 60,008	\$ -	\$ 467,001
Shreveport Riverview	-	-	-	-
Bishop's Point	308,031	35,074	-	272,957
Red Oak	517,614	58,939	-	458,675
Grand Ecore	712,012	81,074	-	630,938
Hampton's Lake	179,838	20,477	-	159,361
Colfax	829,285	94,428	-	734,857
Additional Amenities Central Project	11,497	-	538	12,035
Additional Amenities North Project	150,703	-	2,395	153,098
Bishop's Point Asphalt Project	311,012	-	3,508	314,520
Total Pools 3, 4, & 5	<u>3,547,001</u>	<u>350,000</u>	<u>6,441</u>	<u>3,203,442</u>
Total Deferred Charges - Work-in-Kind	<u>\$ 3,547,001</u>	<u>\$ 350,000</u>	<u>\$ 6,441</u>	<u>\$ 3,203,442</u>

Independent Auditor's Reports

INDEPENDENT AUDITOR'S REPORT

Commissioners of the Red River Waterway Commission
State of Louisiana
Natchitoches, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Red River Waterway Commission, State of Louisiana as of and for the year ended December 31, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Red River Waterway Commission, State of Louisiana, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an

essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Red River Waterway Commission, State of Louisiana's financial statements as a whole. The schedule of per diem paid to commission members, and schedule of deferred charges – work-in-kind are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of per diem paid to commission members, schedule of deferred charges – work-in-kind and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other-Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2013, on our consideration of the Red River Waterway Commission, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Red River Waterway Commission, State of Louisiana's internal control over financial reporting and compliance.

CARR, RIGGS & INGRAM, LLC

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
May 1, 2013

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Commissioners of the Red River Waterway Commission
State of Louisiana
Natchitoches, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Red River Waterway Commission, State of Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Red River Waterway Commission, State of Louisiana's basic financial statements and have issued our report thereon dated May 1, 2013

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red River Waterway Commission, State of Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Red River Waterway Commission, State of Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Red River Waterway Commission, State of Louisiana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we considered to be significant deficiencies. Items 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Red River Waterway Commission, State of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as item 2012-1.

Red River Waterway Commission, State of Louisiana's Response to Findings

Red River Waterway Commission, State of Louisiana's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Red River Waterway Commission, State of Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or in compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

CARR, RIGGS & INGRAM, LLC

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
May 1, 2013

RED RIVER WATERWAY COMMISSION
State of Louisiana

Schedule of Findings and Responses
For the Year Ended December 31, 2012

Current Year Findings and Responses

2012-1 Undercollateralized Deposits

Criteria or Specific Requirement As required by Louisiana RS 396 1211 through 39 1273, all deposits are required to be insured or collateralized

Condition: We noted the certificate of deposits held at the Simmesport Bank were not fully insured, causing the Red River Waterway Commission, State of Louisiana (Commission) to have exposure totaling \$507,776

Effect: The Commission was not in compliance with Louisiana RS 39.1211 through 39 1273, stating all deposits must be insured or collateralized

Cause: Periodic review by the aforementioned banks on behalf of the Commission was not performed to identify the excess uncollateralized deposits

Recommendation: We recommend the Commission review monthly the pledged securities and the bank balances to ensure that all balances are appropriately secured

Management's Corrective Action Plan: We will coordinate with the bank to ensure that there is sufficient collateral on all deposits in the future

2012-2 Committed Funds

Criteria or Specific Requirement A certificate of deposit and accumulated interest was committed by the Board of Commissioner to supplement the high cost of liability insurance and to be used to offset a higher deductible and obtain lower premiums.

Condition: Interest earned was not added to the certificate of deposit balance during 2012

Effect: The committed funds were understated by the amount interest not added to the certificate of deposit

Cause: *The financial institution was not instructed to accumulate the interest in the certificate of deposit*

Recommendation: We recommend that the financial institution be instructed to accumulate the interest within the certificate of deposit and increase the certificate of deposit amount by the amount of interest not added in 2012

Management's Corrective Action Plan: As soon as the certificate of deposit matures, the interest will be added back to the certificate of deposit and the financial institution will be instructed to accumulate the future interest within the certificate of deposit

Prior Year Findings and Responses

2011-1 Undercollateralized Deposits

Criteria or Specific Requirement As required by State statute, all deposits are required to be insured or collateralized

Condition: We noted the certificate of deposits held at the Business First Bank, Progressive National Bank and Simmesport Bank were not fully insured, causing the Red River Waterway Commission, State of Louisiana (Commission) to have exposure totaling \$1,758,455

Effect: The Commission was not in compliance with Louisiana RS 39.1211 through 39.1273, stating all deposits must be insured or collateralized

Cause: Periodic review by the aforementioned banks on behalf of the Commission was not performed to identify the excess uncollateralized deposits

Recommendation: We recommend the Commission review monthly the pledged securities and the bank balances to ensure that all balances are appropriately secured

Management's Corrective Action Plan: We will coordinate with the bank to ensure that there is sufficient collateral on all deposits in the future.

Corrective Action Taken: The certificate of deposits held at the Business First Bank and the Progressive National Bank were fully secured at December 31, 2012. The certificate of deposits held at the Simmesport Bank was not fully secured until after December 31, 2012.